
BUDGET UNIT BRIEF – FY 2023

Fiscal Services Division

July 1, 2022



Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

Adoption Subsidy

Background

The Adoption Subsidy Program is administered by the Department of Human Services (DHS). The Adoption Subsidy Program is a financial support provided to families that adopt special needs children. When courts terminate the parental rights of abused or neglected children, the DHS strives to find permanent adoptive families as quickly as possible.

Populations Served

Of all children placed for adoption through the DHS, approximately 95.0% receive an adoption subsidy or are eligible for the subsidy. Subsidies are paid to eligible families until the adopted child reaches age 18, or age 21 if there is a disability. Subsidies are available if:

- The child has a special need (including a diagnosed physical, mental, or emotional disability), is harder to place due to age, is a member of a sibling group of three or more children, or is at risk of developing a diagnosed condition; and
- The State is unable to place the child for adoption without the subsidy; and
- The child was in the guardianship of the DHS or a licensed child-placing agency prior to the adoption.

Children eligible for an adoption subsidy are categorically eligible for Medicaid. The adoptive family's income cannot be considered when negotiating subsidy supports. The majority of children adopted through the DHS are under age 6 and Caucasian. As of July 1, 2021, 10,144 children were eligible for an adoption subsidy.

Services Provided

The Adoption Subsidy Program provides a monthly payment to parents of eligible children. Adoption subsidy rates are negotiated with families, but cannot exceed the foster care rate. Adoption subsidy and foster care rates are designed to be nearly the same in order to eliminate a disincentive by foster parents to adopt. Families may also receive:

- Up to \$500 per child to pay legal fees to finalize the adoption.
- Supplies and equipment to meet the child's needs.
- Funds for outpatient therapy from providers not paid through Medicaid.
- Funds for additional insurance premium costs when adding a child to private insurance.
- Up to \$500 per child when adopting a sibling group of three or more.
- Post-adoption support services.

More Information

Department of Human Services: dhs.iowa.gov/foster-care-and-adoption
LSA Staff Contact: Chris Ubben (515.725.0134) chris.ubben@legis.iowa.gov

Funding — State General Fund

The Adoption Subsidy Program General Fund appropriation included in the Health and Human Services Appropriations Act is approximately \$40.6 million annually. In FY 2020, the average per diem subsidy was \$21.05, making the average annual cost \$7,683. Rates have not increased since FY 2014.

Funding — Federal Funds

Federal Title IV-E of the Social Security Act provides matching funds for the subsidy. In FY 2020, 83.3% of children whose families received adoption subsidies were eligible for the federal match. The federal match is based on the Federal Medical Assistance Percentage (FMAP) used for Medicaid.

The federal Fostering Connections for Success and Increasing Adoptions Act of 2008 (PL [110-351](#)) changed the way Title IV-E eligibility is determined. The original criteria for eligibility were tied to the Aid to Families with Dependent Children (AFDC) Program, which was replaced by the Temporary Assistance for Needy Families (TANF) Program in the early 1990s. The 2008 Act delinked eligibility for Title IV-E from AFDC criteria over time, starting in FFY 2010 and continuing through FFY 2018. This delinking led to more adopted children becoming eligible for the federal funding. The Family First Prevention Services Act of 2018 (PL [115-123](#)) delayed full implementation until June 30, 2024.

The federal legislation delinking Title IV-E eligibility from AFDC criteria also requires states to calculate the amount of adoption savings resulting from increased Title IV-E eligibility and to reinvest the state savings for other qualified expenditures under titles IV-B and IV-E. To accomplish this, the DHS is using adoption savings funds to support the following:

- [Treatment Outcome Package](#) (TOP) assessment tool: The TOP is used to assess a child's treatment needs within 12 domains; track a child's improvement or deterioration; identify data trends around strong or better performing providers and foster parents; and identify other data points that would impact practice decisions made by DHS and Juvenile Court Services staff.
- Limited Subsidized Guardianship Program: While being promulgated through the administrative rules review process, conceptually, the Program will provide financial assistance to guardians of eligible children 14 years of age or older who are in foster care but are not able to be adopted and who are not able to return home. Under the new program, relatives who become licensed foster parents may become a child's guardian and receive a maintenance payment. Currently, these individuals would be required to adopt the child in order to receive a payment.

Related Statutes and Administrative Rules

Iowa Code section [234.38](#)

Iowa Code chapter [600](#)

Iowa Administrative Code [441—201](#)

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